

Budget & Finance Committee Meeting

Thursday, May 21, 2020

REMOTE PARTICIPATION**-Minutes-****Present: Chair, Councilor Melissa Cox, Vice Chair, Councilor Scott Memhard, Councilor John McCarthy****Absent: None****Also Present: Joanne M. Senos, Police Chief Conley, Kenny Costa, Vanessa Krawczyk, Jill Cahill, TJ Ciarametaro, Sal DiStefano, Gary Frisch**

Councilor Cox announced that this meeting is recorded by video and audio in accordance with state open meeting law, consistent with the governor's order suspending certain provisions of the open meeting and gaming gatherings of people, 10 or more people. This meeting is connected by remote participation. If you are calling in on a phone, you can press Star 9 to request to speak. If you are watching on a computer or device, there is a raise hand and a button that you can tap or press to request to speak. Please use either of these options during oral communications to be recognized to speak.

1. Special Budgetary Transfer Request (#2020-SBT-15) in the amount of \$315,221 from School CFO

School CFO Gary Frisch conveyed to the Committee that this transfer is to reimburse the city for special education tuition costs that are being charged to the city under the school choice program. This is an annual transfer

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor Memhard, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer Request #2020-SBT-15 in the amount of \$315,221 from Account #S4193992-530100, SPED-Tuition Non-Public School, District Wide, Professional & Technical Services to Account #0182052-565004, City General Fund, School Choice Sending Tuition Assessment for the annual reimbursement to the City General Fund for the additional Cherry Sheet School Choice SPED related expenses.

2. Special Budgetary Transfer Request (#2020-SBT-16) in the amount of \$60,000 from School CFO

School CFO Gary Frisch conveyed to the Committee that this is another annual transfer to the city to reimburse the city for security services. Specifically, the school resource officer at the Gloucester High School.

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor Memhard, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer #2020-SBT-16 in the amount of \$60,000 from Account #S1102505-511101, GHS Salaries-Principal Professional to Account #0121151-513000, Police Uniform, Overtime, for the purpose of funding the Gloucester High School Resource Officer.

3. Memorandum from Harbormaster re: request acceptance of a \$2,000 donation from the Minogue Family Foundation

Harbormaster TJ Ciarametaro requested the acceptance of this donation from the Minogue Family Foundation. This is the third year in a row that they've donated \$2,000 graciously to the Harbormaster's Department to use as they see fit for the needs of the department. He sends a nice email and thank the gentleman and his family for the donation every year.

COMMITTEE RECOMMENDATION: On motion by Councilor Cox, seconded by Councilor Memhard, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to recommend that the City Council accept under MGL c. 44, §53A, a cash donation in the amount of \$2,000 from the Minogue Family Foundation to be used to benefit the on-going efforts of the Harbormaster's Office.

4. Memorandum from Community Development Director re: request authorization to negotiate a local TIF with Cometeer, Inc.

Community Development Director Jill Cahill conveyed to the Committee that they are here to request authorization to negotiate the TIF with the company that is called Cometeer. Two representatives from that company are here tonight. Ms. Cahill said that the EDIC Director, Sal DiStefano, will be doing the negotiating. He really built a relationship with this group and can give a little background on what on the process and how this plays with the state incentive program. They will be setting up a workshop on the TIF process. Mr. DiStefano said he is working on finalizing the TIF workshop for City Council that will be given by the Mass Office of Business Development. Annamarie Kersten, who is the Director, generously offered her time to do a little bit of a workshop to have people, who may already know about TIF, to give them a little bit of an update and a refresher; and for those of us who are new to it, a little bit of little bit of education. She is a really nice person and she has really helped Gloucester in a lot of different ways. The Tax Increment Financing (TIF) is one of our limited tools we have for the city to encourage both expansion of existing businesses that are in the Gloucester, and also to bring new companies here. He is here to request authorization from this Committee to enter into negotiations. The way this process works is that the first step in this process for approval is to get permission from Budget and Finance Committee to enter into TIF negotiations with a company. This company is called Cometeer, Inc. In their cover letter, they are very interested in coming to Gloucester. They are a high tech coffee manufacturing company. They are already in Bedford, Massachusetts and are looking to expand their manufacturing, possibly at 21 Great Republic Drive, which is the former home of Gloucester seafood processing otherwise known as Mazzetta. They will be a tenant for the new owner if everything goes through. The way this works is that on the local side, we can offer a tax increment financing, which is basically a discount on the increment of the extra tax that they will encounter on their property taxes after they make a significant investment. This is a way to allow them to use those savings to invest in their business, which they need to do. They hope to bring at least 150 jobs over five years to Gloucester, which would be great, and especially during these times of COVID-19. In addition, they are working with the Commonwealth of Massachusetts to seek EDIP tax credits, which those credits are usually a bigger slice of the incentive pie. In order for

them to get those credits from the state, the state looks for the local municipality, to have some what we call skin in the game, which is our TIF. Basically, this process works hand in hand, and he has been working with the state on their application. The state also has the final say in the TIF. After the City approves it, there is a checks and balances system where the state approves the local tip. It's not a done deal by any means, but they are looking to make a significant investment. Our goal today is that if this subcommittee sees fit, we hope to have a vote to authorize us to enter into negotiations. Then we will bring a proposal back to the June 4th meeting to have you review it at that time. The Assessor's Office and CFO John Dunn will be at the June 4th meeting for any questions. Our internal TIF Committee has reviewed the application, and unanimously decided to bring it forward to council. Mr. DiStefano introduced Matthew Roberts, CEO and founder of Cometeer, and Cara Trischitta, Director of Operations. Mr. Roberts conveyed to the Committee that this is exciting for them, would love to make Gloucester their home, and wished they were present in person so that they could share the product with that they were trying to manufacturer in Gloucester. They have a new coffee processing technology where essentially they pull out the best flavors of coffee into a liquid format, extract those flavors, and then cryogenically process that coffee moments later and freeze those flavors at their peak in an all-aluminum recyclable capsule. They been selling the product for a year now and have received great sales data to date. Their test market has done beautifully and they have recently raised in venture capital financing. And have access to a ton of capital to invest into our manufacturing and future headquarters. Right now we're operating out of a pilot facility down in Bedford, Mass. as Mr. DiStefano referenced. They are looking to invest several million dollars into that 21 Great Republic Drive processing facility. If the Committee had any specific questions on what they are trying to accomplish here from a revenue or job's perspective, he would accommodate them. He really wished that this was a meeting that he could attend in person just to have the Committee taste the coffee, because the benefit of their technology is being able to capture more flavor in a capsule than any other competitive product in existence. That is the reason why they been able to raise such an incredible amount of financing to invest into a facility like 21 Great Republic Drive. On an inquiry by Councilor McCarthy, Mr. DiStefano clarified whether the amount of jobs in the letter is 150 or 200 to 250 jobs. He explained Cometeer filed an application with the state for the EDIP tax incentives, and the letter was issued prior to the COVID-19 crisis. The state asks for a certain amount of jobs that you basically guarantee. If you do one job beyond that or a thousand after that, that's fine. If you fall below that number, there's a potential for the state to reclaim the credits. The letter is dated in early February, but what they have done is they have conservatively revised the numbers to reflect the current situation. Also just to be on the safe side with the state, if they were to fall short, they are not risking losing the credits. Mr. DiStefano asked Mr. Roberts if he could speak about the jobs piece, his outlook is Fon that, what his need would be, when he would want to start manufacturing, and the types of jobs as well. Mr. Roberts said with that number, they are really looking to over deliver than underachieve. If they do select that location for their manufacturing, they will be investing heavily in capex. They are not going to be able to turn on manufacturing from day one. They will bring, he believed, a dozen jobs up to Gloucester's this year. The next year, when they really start ramping up, they will be hiring a combination of both business workers, facility workers, i.e. supply chain managers, engineers, manufacturing workers to really operate their entire company out of that Gloucester location, essentially, everything you need to operate a business. He went on to say that everyone from their CTO to their engineering staff, food

science stall, product development staff, marketing staff will be working out of Gloucester as well as himself and Ms. Trischetta. Based on the size of the facility and the cap capacity that it has, he does think that at full capacity they will be employing about 200 to 300 people out of that facility. But again, they want to keep the number conservative right now. On an inquiry by Councilor Cox to Mr. Distefano on whether this was enough jobs to meet the minimum for the TIF and the state, Mr. Distefano replied yes. They have done TIFs for other companies that were much smaller, and it is not only the number of jobs, it is the type of jobs the state will be excited about. Mr. Roberts added that these are higher tech jobs. This product is not being made anywhere else in the world. They need to scale this new manufacturing process, which means they really need to invest into a labor force that pays attention to detail and can operate with the tempo of a tech company as opposed to a general food and beverage manufacturing company. On an inquiry by Councilor McCarthy to Mr. DiStefano regarding the 7.5 million dollar investment into the building and another 19 million dollar investment into capex, Mr. DiStefano explained the TIF is a discount on the incremental tax property and there is an overall formula that assessing looks at in terms of value in the building, which the Assessor could explain. If it's equipment, that's not going to impact the value of the building. But if it's, let's say, putting an addition onto the building or making improvements, then it will be subject to an increase in valuation, and TIF takes that into account. So the investment, it's not a dollar for dollar. Of course, it's just it's an overall formula that assessing looks at in terms of value in the building. Mr. DiStefano reiterated that the biggest part of this incentive, if this goes through, is their state tax credits. Councilor Memhard commented that he hopes this works out. He did take a look around on the Internet, their Facebook page and some of the industry excitement and buzz about his product and process. It's exciting that they can take advantage of this beautiful facility up in Blackburn and make it their home up here. All he could say is welcome and hopes they can work with him to make it pan out. Councilor Cox welcomed them and looked forward to working with them. She also looked forward to helping them transition from the nice little small committee to the full city council. They have a very strong team within the administration to help them along. Councilor Cox said that it would be beneficial to the Committee if Mr. Roberts send the link to their website. There was a discussion regarding the date and time of the workshop. Ms. Cahill updated the Committee on the timeline on the process.

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor Memhard, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to permit the TIF Committee to negotiate the terms of the Tax Increment Financing (TIF) Plan with Cometeer, Inc. and recommend the terms of the TIF Plan to the Budget & Finance Committee at a future meeting.

5. Special Budgetary Transfer Request (#2020-SBT-17) in the amount of \$5,000 from Police Dept.
6. Special Budgetary Transfer Request (#2020-SBT-18) in the amount of \$3,000 from Police Dept.
7. Special Budgetary Transfer Request (#2020-SBT-19) in the amount of \$4,600 from Police Dept.
8. Special Budgetary Transfer Request (#2020-SBT-20) in the amount of \$11,800 from Police Dept.

9. Special Budgetary Transfer Request (#2020-SBT-21) in the amount of \$10,000 from Police Dept.

Chief Conley conveyed to the Committee that he sat down with his Financial Coordinator, Stacie Nicastro, to identify the accounts they expected to have 0 surpluses moving into the end of the budget year. The two they were utilizing tapping into for these transfers are the funding for the Fiesta overtime and the three department vacancies that they did not fill and don't expect to fill at the close in this fiscal year. The three things they are trying to accomplish with these transfers is first and foremost a need to repair the engine for the police boat and get it back in the water for summer service; to repair some of the video broken cameras and get them up running in the city which also requires upgrading some licenses for our internal software systems that run all their computers; and lastly the need to stockpile some basic supplies for patrol gloves and other equipment that they use every day.

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor Memhard, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer Request #2020-SBT-17 in the amount of \$5,000 from Account #0121151-511000, Police-Uniform, Salaries to Account #0121152-558003, Police-Uniform, Public Safety Supplies for the purpose of purchasing public safety supplies.

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor Memhard, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer Request #2020-SBT-18 in the amount of \$3,000 from Account #0121151-511000, Police-Uniform, Salaries to Account #0121152-542007, Police-Uniform, Computer Equipment Not Capitalized for the purpose of purchasing of a rugged lap top for a cruiser.

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor Memhard, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer Request #2020-SBT-19 in the amount of \$4,600 from Account #0121151-511000, Police-Uniform, Salaries to Account #0121152-551010, Police-Uniform, Audio Visual Supplies for the purpose of purchasing two homeland security cameras.

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor Memhard, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to recommend that the City Council approve Special Budgetary Transfer Request #2020-SBT-20 in the amount of \$11,800 from Account #0121151-511000, Police-Uniform, Salaries to Account #0121152-530028, Police-Uniform, Software Services for the purpose of updating software licenses and purchase of a server.

COMMITTEE RECOMMENDATION: On a motion by Councilor Cox, seconded by Councilor Memhard, the Budget & Finance Committee voted by ROLL CALL 3 in favor, 0 opposed, to

recommend that the City Council approve Special Budgetary Transfer Request #2020-SBT-21 in the amount of \$10,000 from Account #0121151-511000, Police-Uniform, Salaries to Account #0121652-524037, Police-Harbors, R&M Boat & Marine Maintenance for the purpose of repairing the Gloucester Police boat engine.

10. Memo from City Auditor regarding accounts having expenditures which exceed their authorization & Auditor's Report and other related business

Mr. Costa reviewed his report with the Committee.

A motion was made, seconded and voted by ROLL CALL to adjourn at 6:15 p.m.

Respectfully submitted,

Joanne M. Senos
City Clerk